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SUBJECT: LEBANON: HEALTH MINISTRY CONSIDERS SWINE FLU ITS PRIORITY,
NOT IPR (ECONOMIC WEEK IN REVIEW, AUGUST 3 - 9, 2009)

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HEALTH MINISTRY CONSIDERS SWINE
FLU ITS PRIORITY, NOT IPR

[1](#)1. (SBU) On August 4, Director General of the Ministry of Public Health (MOPH) Walid Ammar told us he does not consider IPR a major priority for the MOPH. Instead of focusing on stricter rules on IPR for WTO accession to protect the interests of multinational pharmaceutical companies, Ammar asked why Lebanon is forced to purchase its drugs from subsidiaries of pharmaceutical companies in countries where drugs are more expensive than in other markets. He asserted that such practices went against the rules of free trade as called for by the WTO. Amendments to the Patent Law regarding undisclosed information or trade secrets are still pending, mainly because of roadblocks set by the MOPH. Pharmaceutical companies argue that the lack of stricter standards on what is considered a trade secret has facilitated the registration of copycat drugs.

[1](#)2. (SBU) Meanwhile, Ammar explained that the MOPH is currently focusing on ways to prevent the spread of swine flu, in preparation for the upcoming Muslim pilgrimage season. He noted that swine flu vaccines will be in short supply worldwide, and if Lebanon were to order now, the earliest delivery date would be in early 2010. By that time, a second pandemic wave of the virus may have started, he said. Lebanon has confirmed over 100 swine flu cases, and one death has been attributed to the virus to date.

LEBANON SUFFERS FROM
INCREASED POWER CUTS

[1](#)3. (U) Power cuts have increased in August all over Lebanon as a result of increased demand resulting from hot temperatures and record tourism. Recent press reports have described citizens throughout Lebanon taking to the streets to protest the power

shortages. Power production remains insufficient, as Lebanon faces a massive capacity deficit. While current production reaches about 1600 megawatts (MGW), in addition to small quantities purchased from Egypt and Syria, demand at peak times reaches 2400 MGW or more.

14. (SBU) The chairman of national power utility Electricity du Liban, Kamal Hayek, told EconOff the priority for the new cabinet should be construction of new power plants to increase production, while simultaneously attracting private sector investment in an Independent Power Producer (IPP). The International Finance Corporation (IFC) provided assistance to the GOL in its preparations for an IPP, but the process stalled in the current government, as caretaker Minister of Energy and Water Alain Tabourian is vehemently against private sector participation in the power sector.

CARETAKER FINANCE MINISTER
STILL WORKING

15. (SBU) Though the Lebanese government formation process has reached a standstill, caretaker Finance Minister Mohammad Chatah told the Ambassador August 6 that he and his ministry are still working. He noted that he was in the process of putting together the 2010 budget, which his successor will be required to present to the cabinet shortly after taking office. He said the ministry was moving forward with a new IT system to streamline processes and increase transparency. Meanwhile, he assured the Ambassador that Lebanon's foreign currency financing needs will be met easily, as Lebanese banks are so flush with liquidity that interest rates are beginning to fall. He stressed that the GOL was carefully monitoring the effect of falling interest on capital inflows, in order to ensure that they continue to grow at the 10-12% annual rate necessary to fund government and private sector borrowing.

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16. (SBU) Chatah said the next Finance Minister will need to draft legislation to overhaul Lebanon's retirement system, which he claimed was poorly conceived and implemented. He also recommended his successor look into providing more resources to local and municipal governments, though he worried that such decentralization could be disastrous if not coupled with capacity building at the municipal level. The Ambassador noted that USAID has a capacity building program working in over 700 municipalities in Lebanon.

POLITICAL ANTICS HIT
PRICE OF SOLIDERE SHARES

17. (SBU) On August 5, President of the Beirut Stock Exchange (BSE) Dr. Fadi Khalaf told us that MP Walid Jumbatt's statement on August 2 that his alliance with March 14 "cannot continue" and the subsequent travel of PM-elect Saad Hariri to France hurt share prices on the exchange, particularly those of Solidere, which represent the bulk of daily trading activity. Solidere, the Beirut downtown real estate development company -- in which Hariri is a major shareholder -- dropped from nearly \$26 on July 31 to \$23 on August 4. This was attributed to market fears that Hariri would fail to form a new cabinet, Khalaf said, adding that Solidere shares went up again to \$25 on August 6 following positive expectations regarding the cabinet formation. Jumblatt's statement on August 6 reaffirming his support for Hariri improved market sentiment.

TOTAL FDI UP BY 12%, BUT
ARAB INVESTMENT FALLS

18. (U) According to the Inter-Arab Investment Guarantee Corporation (IAIGC), foreign direct investment (FDI) in Lebanon totaled \$3.2 billion in 2008, a 12.4% increase compared to 2007. IAIGC ranked Lebanon seven out of 17 countries in the MENA region in terms of total FDI.

19. (U) Meanwhile, IAIGC estimated that Arab investment in Lebanon was approximately \$2.6 billion in 2008, falling by 20.4% compared to 2007. 82.5% of Arab investment was in the real estate sector. The

UAE was the primary Arab investor in Lebanon with 42% of total investment, followed by Kuwait, Saudi Arabia, Qatar, and Bahrain. Lebanese FDI in the Arab world reached \$2.3 billion in 2008, up from \$465 million in 2007, with Sudan as the largest recipient of Lebanese FDI or 81% of the total, followed by Saudi Arabia, Yemen, Egypt, and Syria.

SAUDI ARABIA ALLOCATES
MORE FUNDS FOR ARAB HIGHWAY

¶10. (U) Saudi Arabia announced that it will help finance the construction of the Arab highway linking Beirut to Damascus with a \$50 million soft loan. The loan carries a 2% interest rate and is payable over 20 years. Last May, the GOL announced the start of the first phase of construction on the highway, which will cost approximately \$153 million, financed by soft loans from the Saudi Fund for Development, the OPEC Fund, and Saudi Arabia.

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